



## **PH RESORTS GROUP HOLDINGS, INC.**

### **Report on the Company's Business Plan**

PHR is the holding entity for the gaming and hospitality business of the Udenna Group of companies. PHR is the parent company holding shares to wholly-owned subsidiaries, which, in turn, hold the assets and undertake gaming and tourism industry-related operations.

#### **EMERALD BAY**

LapuLapu Leisure, a corporation registered in the Philippines on January 25, 2017 under Company Registration No. CS201702631, is the developer of Emerald Bay, an integrated tourism resort to be located in Mactan Island, Lapu-Lapu City, Cebu, Philippines. On May 3, 2017, LapuLapu Leisure and UDEVCO were granted a provisional license by the Philippine Amusement and Gaming Corporation ("PAGCOR") to establish Emerald Bay on a prime beachfront area on Mactan Island, Lapu-Lapu City, Cebu. In July 2018, upon the request of the Company, PAGCOR approved the substitution of LapuLapu Land as a new co-licensee of the Emerald Provisional License in place of UDEVCO. Emerald Bay will be located on a 12.4-hectare site located on the Punta Engaño peninsula of Mactan Island, which is approximately six kilometers away from Mactan-Cebu International Airport. LapuLapu Leisure leases the site on which Emerald Bay will be located from LapuLapu Land, which became its wholly-owned subsidiary on October 14, 2019.

Construction of Emerald Bay commenced in December 2017. Construction of Hotel Tower A and Tower B commenced in the third quarter 2018. Construction of the podium is underway. Construction of the central utility plant structures as well as the architectural blockwork started in the third quarter of 2018, while construction of the facades commenced in the first quarter of 2020. In addition, Emerald Bay's mock-up rooms were completed at the end of 2018 while the administration building is expected to be completed by the first quarter of 2023. In summary, the following milestones have been completed to date:

Commencement of Foundation Work	April 2018
Start of Superstructure Work	September 2018
Top-off of Podium	Completed in July 2020
Top-off of Tower B	Completed in March 2021
Primary Structural Steel (AHU Deck), with fireproofing	Completed in July 2021

Overall completion as of September 30, 2021 is 40.77% wherein the main building concrete pouring is at 98.66% (Podium – 97.58%, Hotel structure – 100%). Interior and fit-out will commence upon completion of concrete pouring.

Emerald Bay will be constructed in two phases, of which, the first phase of Emerald Bay is expected to be completed in the first quarter of 2023. The first phase of Emerald Bay is expected to have approximately 4,514 square meters of aggregate gaming floor area, with approximately 600 electronic gaming machines, approximately 122 gaming tables, a five-star hotel, with approximately 270 hotel bays, an open-air promenade, 5 F&B outlets, and one pool complementing a partially completed 300-meter-long beach front that will be open to resort guests. The second phase is expected to have approximately 8,210 square meters of aggregate gaming floor area, with approximately 729 electronic gaming machines, approximately 146 gaming tables, a five-star hotel with approximately 780 hotel bays, including five villas, four pools, approximately 16 F&B outlets covering an area of approximately 11,186 square meters, and MICE facilities of approximately 1,558 square meters.

	Phase 1	Phase 1 and 2
Description	Q1 2023	2023-2027
<b>Description</b>		
<b>F&amp;B, MICE, Retail and Others</b>		
Casino façade	R	R
Building envelope	R	R
Main Casino	R	R
Restaurants	5	16
Pools	1	4
Beachfront	Partial	Full
Ballroom / convention	-	R
Retail	-	R
Kids Club Tent	-	R
Meeting rooms and business center	-	R
Spa and fitness	-	R
<b>Gaming and Hotel</b>		
Mass	78	94+
Premium Mass	22	26+
Junket	22	26+
Total tables	122	146+
EGMs	600	729+
Hotel room bays	270	780
Villas	-	5
<b>Cumulative Construction cost (USD)</b>	<b>238.5</b>	<b>465.4</b>

The Company is working closely with its primary design (Steelman Partners), project management (Tenman HK Limited) and construction (Terp Asia Construction Corporation) teams to ensure that phase 1 of Emerald Bay is completed and will commence full operations on budget and on track for the targeted opening in the first quarter of 2023.

The Company has already committed the majority of the contracts necessary for the construction of Emerald Bay and is in the process of evaluating the contracts relating to the design and fit-out and the FF&E packages of Emerald Bay. For efficiency purposes, the Company has opted to separate the development process of Emerald Bay into several work packages. In line with this approach, the Company is working with 24 different consultants in relation to the design and construction, and 25 different contractors in relation to the construction and fit-out, of the various aspects of Emerald Bay and intends to work with certain additional consultants and approximately 45 additional contractors in connection with the design, construction and fit-out of Emerald Bay. The Company believes that working with multiple contractors in relation to each specific work package will enable a more streamlined construction process and ensure the expected timeline of Emerald Bay remains on target. Most of the contractors for the construction and fit-out works were or are being procured through open tender, and definitive contracts are already in place for all main construction works of Emerald Bay with reputable, qualified contractors on reasonable commercial terms.

The Company has also initiated the necessary planning and development work in the critical areas of facility and operations readiness, brand image and marketing, and finance of Emerald Bay. As a result of the Company's extensive critical path operational planning, the Company expects to complete all its significant pre-launch activities for Emerald Bay by its expected opening in Q1 2023.

The anticipated cost and targeted completion and opening date for Emerald Bay are based on indicative or proposed budgets, design, construction and fit-out plans, as well as schedule estimates that the Company has prepared with the assistance of Tenman HK Limited and its contractors.

A maximum of 70% of total capitalization for the project will be funded by the proceeds from the Company's existing debt facility (currently amounting to ₱5.2 billion and US\$15 million) and through the expected availment of additional debt. This is within the acceptable debt-to-equity ratio for a project of this size in this industry and is also acceptable with the provisional license issued by PAGCOR which requires a maximum of 70% to 30% debt-to-equity ratio. It is also compliant with the debt covenants of the Company as each of Lapulapu Leisure and Lapulapu Land is required to maintain, on a combined basis, a debt-to-equity ratio of not more than 2.33 to 1.0.

### **DHPC**

DHPC is the owner of the Donatela Resort & Sanctuary ("Donatela Resort"), a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the resort in 2017 and commenced its operations in January 2018. The Donatela Resort has upscale villas with pools, a fine-dining restaurant and a wine cellar. Due to the March 2020 lockdown and implementation of local community quarantine restrictions, Donatela was temporarily closed and only reopened in July 2020. In the first quarter of 2021, due to a return of restrictive quarantine measures, existing bookings were cancelled and the expected number of reservations were not achieved. However, the management is hopeful that with the improvement in the number of Covid cases in NCR Plus, a lifting of strict quarantine measures imposed on Panglao Island, Bohol as well as the gradual resumption of international flights, there will be improvement in Donatela's operations. The property's low-density design is ideal for the required protocols like social distancing. Prior to the Covid-19 pandemic, DHPC was in the design and development phase for its plans for expansion to improve its business prospects and operations.

### **COVID-19 PANDEMIC**

The construction of the Emerald Bay Project initially faced challenges in view of the implementation of measures to mitigate the effects of and to prevent the exposure of workers onsite to the COVID-19 pandemic. The situation onsite has gradually gotten back to normal, with continued compliance with all applicable government directives.

Furthermore, the operations of Donatela Resort & Sanctuary were temporarily suspended beginning March 2020 in response to the lockdown measures imposed by the Philippine government. It resumed operations in July 2020 as local government restrictions eased.

The Company's management has taken a proactive approach in business continuity due to the effects of COVID-19. In managing the Company, major strategic and support functions were implemented such as the imposition of work-from-home measures for its staff and strict health and safety standards at the construction site. Thus far, the implementation of work-from-home measures and the transition of work in digital space has been promising and shows long-term feasibility.

The Company's teams are in constant communication with its personnel on-site, project management team and sub-contractors to make sure the Company remains on schedule with its construction targets.

The safety and wellbeing of on-site employees is of utmost importance to the Company. The Company has adjusted the work arrangements of its personnel to provide a safe working environment and to prevent the spread of COVID-19. Specifically, they have implemented the following precautionary measures and policies to minimize the possibility of COVID-19 infections at the worksite:

- taking the temperature of workers and personnel when they enter the site and maintaining an adequate supply of hand sanitizers for use at the premises;
- requiring all personnel to wear face masks at all times;
- reminding all personnel to be aware of the importance of maintaining good personal and workplace hygiene;
- regularly cleaning and ventilating offices and facilities;
- minimizing in-person meetings;
- monitoring the travel history of personnel; and
- monitoring the latest information released by the Government and keeping personnel informed about material updates, such as any mandatory quarantine imposed in different areas.

## **FUNDING AND CAPITAL SOURCES**

The Company mainly relies on the following sources of liquidity: (1) financing lines provided by various creditors; and, (2) shareholder advances and/or paid-up capital. The Company is current on all of its loan accounts.

The Company expects to meet its operating assets and liabilities, capital expenditure and investment requirements for the next 12 months primarily from additional borrowings and proceeds from the successful retail offer last November 2020 and a private placement in August 2021. It may also from time to time seek other sources of funding, which may include debt or equity financings, depending on its financing needs and market conditions.

On November 5, 2020, PHR successfully conducted a follow-on equity offering of 450.0 million primary common shares (inclusive of the overallotment offer). According to the Lead Underwriter and Issue Manager, Unicapital, Inc., and Co-Lead Underwriter Abacus Capital and Investment Corporation, the issue was more than 2.5x oversubscribed. The offer was priced at ₱1.68 and the shares were listed on the PSE on November 5, 2020. The Company received ₱756.0 million in gross proceeds from the offer.

On December 4, 2020, the ₱2.58 billion deposit for future subscription was converted into 1.69 billion common shares with a subscription price of ₱1.68/share through a subscription agreement entered into by PH Resorts and Udenna Corporation.

The combined issuance of 2.14 billion common shares (par value of ₱1) at a subscription price of ₱1.68/share resulted in ₱1.41 billion in additional paid-in capital.

Through a private placement with a select group of Qualified Buyers, PHR was able to raise P600 million. The transaction consisted of approximately 352 million shares sold by its corporate parent Udenna Corp at P1.70 per share. With the proceeds, Udenna Corp will then subscribe to the same number of shares to be issued by the Company at the same price, injecting the funds into the Company.

The Group has ongoing negotiations with its lenders for the conversion of a bridge loan to a long-term project loan, availment of an additional long-term loan, deferral of principal and interest payments and testing of a subsidiary's debt to equity ratio. The Group also has ongoing plans for other suitable financing and capital raising options. Management believes that considering the progress of the steps undertaken to date, these financing and capital raising plans are feasible and will generate sufficient cash flows to enable the Group to meet its obligations when they fall due and address the Group's liquidity requirements to support its operations and the completion of its projects.